

PARDEE RESOURCES COMPANY

2ND QUARTER 2025



Responsible Development of Natural Resource Properties
Integrity Creativity Excellence Respect Teamwork Family

To Our Shareholders:

During Q2 2025, Pardee Resources Company earned \$15.07 per share, a 201% increase versus \$5.00 per share earned during Q2 2024. EBITDA during the quarter was \$20.99 per share, 170% above EBITDA of \$7.76 per share earned during Q2 2024. The Company's improved results were driven by a one-time gain from the sale of a non-strategic oil and gas mineral property, without which pre-tax operating income would have declined 4.3%. Both the metallurgical coal and timber markets remained under pressure during the quarter, while the Company benefited from higher natural gas prices. Our table grape vineyards are on track for another profitable season; however, we are expecting an operating loss from our almond tree farm during 2025 due to excessive rainfall in Portugal. Meanwhile, our solar photovoltaic (PV) revenues were roughly flat versus a year ago.

Metallurgical Coal Division: While the shipping disruptions of Q1 2025 subsided, metallurgical coal markets remained under pressure during Q2. China, amidst an economic downturn, continued to flood global steel markets with low-cost steel, causing downward pressure on the global steel and met coal prices. Depressed Central Appalachian metallurgical coal prices resulted in mine closures, layoffs, and bankruptcies; however, new tariffs on imported steel, and production tax credits provided by the One Big Beautiful Bill Act (OBBBA), are expected to support U.S. metallurgical coal producers. Coal shipped from our properties during the period declined 4.2%, while royalty per ton declined 12.5%, resulting in Division revenues of \$4.32 million, 19.1% below revenues of \$5.34 million earned during Q2 2024.

Oil & Gas Division: Strong electricity demand resulting from warm, early summer weather, together with demand from LNG exports, helped keep natural gas prices well above last year's levels. Appalachian index pricing averaged \$2.64 per Mcf during Q2 2025, 90% higher than the average of \$1.39 per Mcf of Q2 2024. For Pardee, unusually high prior period adjustments from an oil & gas lessee during Q2 had a positive impact on our overall results, contributing to a year-over-year production increase of 25%, while lowering our average price received. Division revenues during the quarter were \$1.8 million, 44% higher than revenues of \$1.3 million reported in Q2 2024.

Timber & Surface Division: The timber markets continued to face headwinds during Q2 2025. Inflation and interest rates led to weakness in the home construction sector, reducing demand and prices for hardwood and softwood products. U.S. hardwood lumber was further impacted by a 10% decline in exports, as important trading partners, including China, took retaliatory measures against U.S. tariffs. Our timber production was down during the quarter as we withheld sales pending an improvement in the market. Our average stumpage price during the period benefited from the sale of high-priced white oak. Gains from real estate sales were \$729,000, a 26% improvement from a year ago. Division Q2 revenues were \$1.8 million, down 8% versus Q2 2024.

Alternative Energy Division: Provisions of the OBBBA eliminate important federal tax incentives for solar power projects by the end of 2027, which is likely to put downward pressure on solar PV development in the years ahead. In July, Pardee committed to invest \$15.2 million in a 90% interest in four solar PV partnerships, which are expected to complete the installation of 4.6 MW of commercial, rooftop capacity by year-end 2025 (Please see our Company Press Release dated July 28, 2025 for more information). Revenues during the quarter from our solar portfolio were \$684,000, a slight increase over Q2 2024 results.

Agriculture Division: Favorable weather and market conditions point to another profitable season for our table grape operations in Central Valley California. In Portugal, the unusually heavy rains during Q1 2025 continued into Q2, with rainfall totals in May, which is an important period for almond nut formation, more than three times normal. The resulting damage caused by moisture-related disease has significantly reduced our expected yields and is likely to result in an operating loss for 2025 from our almond farm.

Summary: While our operating earnings declined moderately versus Q2 2024, a one-time sale of a non-strategic asset led to a significant increase in our net income. The impact of soft commodity markets on our coal and timber segments was largely offset by improvements in our oil and natural gas and real estate income. The Company earned \$333,000 in interest during the quarter and ended Q2 2025 with a cash balance of \$40 million and limited debt. Pardee is well-positioned to achieve our dual goals of returning capital to our shareholders and investing for future growth.

Sincerely yours,



Chairman
Benjamin A. Burditt

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Pardee Resources Company
Unaudited Consolidated Balance Sheets

(Dollars in Thousands)

ASSETS	<u>6/30/2025</u>	<u>12/31/2024</u>
Current Assets:		
Cash & Cash Equivalents	\$31,372	\$27,382
Restricted Cash	8,442	0
Accounts Receivable	4,868	8,439
Prepaid Income Taxes	0	280
Other	<u>4,227</u>	<u>980</u>
	<u>48,909</u>	<u>37,081</u>
Fixed Assets: (Net of Depl. & Deprec.)		
Land & Right-of-Ways	26,572	26,867
Mineral Rights - Coal	32,546	32,593
Timber	8,558	8,711
Solar Equipment	9,946	10,329
Building & Structures	943	984
Agriculture Development	8,136	8,351
Equipment	392	470
Automobiles	96	186
Other Fixed Assets	<u>1,721</u>	<u>1,801</u>
	<u>88,910</u>	<u>90,292</u>
Investments & Other:		
Oil & Gas Investments (Net of Depl. & Deprec.)	29,403	30,970
Right of Use Asset	3,511	3,627
Other	<u>134</u>	<u>147</u>
Total Assets	<u><u>\$170,867</u></u>	<u><u>\$162,117</u></u>
LIABILITIES & EQUITY		
Current Liabilities:		
Accounts Payable	\$1,709	\$2,483
Deferred Revenues	322	1,585
Taxes Payable	3,038	1,220
Current Portion of Note Payable (non-recourse)	234	208
Current Portion Lease Liability	397	387
Other Current Liability	<u>125</u>	<u>125</u>
	5,825	6,008
Noncurrent Liabilities:		
Non-recourse Debt	469	598
Supplemental Pension Plan	753	662
Deferred Taxes	14,265	14,265
Deferred Revenue, Net of Current Portion	290	256
Asset Retirement Obligation	2	2
Lease Liability	<u>3,648</u>	<u>3,752</u>
Total Liabilities	<u>25,252</u>	<u>25,543</u>
Shareholders' Equity:		
Common Stock	775	775
Additional Paid in Capital	12,020	12,924
Accumulated Other Comprehensive Income	(141)	(141)
Retained Earnings	155,136	145,532
Treasury Stock	<u>(25,556)</u>	<u>(26,310)</u>
	142,234	132,780
Noncontrolling Interest	<u>3,381</u>	<u>3,794</u>
Total Equity	<u>145,615</u>	<u>136,574</u>
Total Liabilities & Equity	<u><u>\$170,867</u></u>	<u><u>\$162,117</u></u>

Pardee Resources Company
Unaudited Consolidated Income Statements

(Dollars in Thousands)

	Three Months Ended <u>06/30/2025</u>	Three Months Ended <u>06/30/2024</u>	Six Months Ended <u>06/30/2025</u>	Six Months Ended <u>06/30/2024</u>
Divisional Revenues:				
Metallurgical Coal	\$4,321	\$5,344	\$7,629	\$10,837
Oil & Gas	1,814	1,257	4,982	2,556
Timber & Surface	1,839	2,000	4,104	3,723
Alternative Energy	684	661	1,124	1,097
Agriculture	<u>0</u>	<u>15</u>	<u>15</u>	<u>15</u>
	<u>8,658</u>	<u>9,277</u>	<u>17,854</u>	<u>18,228</u>
Divisional Expenses:				
Metallurgical Coal	1,020	1,178	1,997	2,158
Oil & Gas	930	1,258	2,388	2,350
Timber & Surface	799	848	1,537	1,688
Alternative Energy	501	355	981	800
Agriculture	<u>313</u>	<u>220</u>	<u>538</u>	<u>429</u>
	<u>3,563</u>	<u>3,859</u>	<u>7,441</u>	<u>7,425</u>
Net Operating Income	\$5,095	\$5,418	\$10,413	\$10,803
Interest and Other Income	333	370	576	731
Gain (Loss) on Equity Investment	0	0	10	0
General and Administrative	(1,478)	(1,657)	(3,096)	(3,256)
Gain on Asset Disposal	8,897	0	8,897	0
Interest Expense	<u>(9)</u>	<u>(15)</u>	<u>(21)</u>	<u>(31)</u>
Income Before Taxes	\$12,838	\$4,116	\$16,779	\$8,247
Taxes	<u>3,081</u>	<u>923</u>	<u>4,027</u>	<u>1,979</u>
NET INCOME	\$9,757	\$3,193	\$12,752	\$6,268
Net Loss - Noncontrolling Interest	<u>96</u>	<u>60</u>	<u>154</u>	<u>116</u>
Net Income - Pardee Resources Shareholders	<u>\$9,853</u>	<u>\$3,253</u>	<u>\$12,906</u>	<u>\$6,384</u>
EARNINGS PER SHARE	<u>\$15.07</u>	<u>\$5.00</u>	<u>\$19.74</u>	<u>\$9.81</u>
EBITDA PER SHARE	<u>\$20.99</u>	<u>\$7.76</u>	<u>\$29.10</u>	<u>\$15.49</u>
(earnings before interest, taxes, depreciation and amortization)				
Weighted Average Number of Common Shares Outstanding	<u>653,956</u>	<u>650,837</u>	<u>653,956</u>	<u>650,837</u>
Common Dividend Per Share	<u>\$1.80</u>	<u>\$1.80</u>	<u>\$3.60</u>	<u>\$3.60</u>
Total Shareholder Return (dividend paid plus change in stock price)			<u>0.87%</u>	<u>14.35%</u>

**Pardee Resources Company
Comparison Data Sheet**

	Three			Six		
	Months			Months		
	Ended	Ended	%	Ended	Ended	%
	<u>06/30/25</u>	<u>06/30/24</u>	<u>Change</u>	<u>06/30/25</u>	<u>06/30/24</u>	<u>Change</u>
Metallurgical Coal						
Revenues - Millions	\$4.32	\$5.34	-19.1%	\$7.63	\$10.84	-29.6%
Coal Tons Sold - Millions	0.68	0.71	-4.2%	1.16	1.39	-16.5%
Royalty/Coal Ton	\$5.89	\$6.73	-12.5%	\$6.05	\$6.95	-12.9%
Oil & Gas						
Revenues - Millions	\$1.81	\$1.26	43.7%	\$4.98	\$2.56	94.5%
Production - bcfe	0.60	0.48	25.0%	1.20	1.00	20.0%
Price/mcfe	\$2.77	\$2.59	6.9%	\$3.11	\$2.46	26.4%
Timber & Surface						
Revenues - Millions	\$1.84	\$2.00	-8.0%	\$4.10	\$3.72	10.2%
Hardwood Production - Board feet - Millions	1.67	3.81	-56.2%	3.95	7.28	-45.7%
Hardwood Stumpage Price/Thousand Bd.	\$354.74	\$250.07	41.9%	\$295.04	\$255.63	15.4%
Softwood Production - Tons - Thousands	1.12	8.42	-86.7%	6.98	27.86	-74.9%
Softwood Stumpage Price/Ton	\$13.34	\$14.44	-7.6%	\$14.26	\$14.65	-2.7%
Hardwood Production - Tons - Thousands	3.18	15.22	-79.1%	10.52	26.11	-59.7%
Hardwood Stumpage Price/Ton	\$2.17	\$2.24	-3.1%	\$2.45	\$2.39	2.5%
Rural Real Estate Gains - Thousands	\$728.8	\$579.8	25.7%	\$1,803.3	\$880.5	104.8%
Alternative Energy						
Revenues - Millions	\$0.684	\$0.661	3.5%	\$1.124	\$1.097	2.5%
Production - k/w - Millions	4.29	3.95	8.6%	6.72	6.30	6.7%
Electric Sales Price per k/w	\$0.116	\$0.117	-0.9%	\$0.117	\$0.119	-1.7%
Production - SREC Units	4,281	4,016	6.6%	6,932	6,477	7.0%
SREC Price/Credit	\$37	\$43	-14.0%	\$41	\$46	-10.9%
NET DIVISIONAL OPERATING INCOME:						
(Dollars in Millions)						
Metallurgical Coal	\$3.30	\$4.17	-20.9%	\$5.63	\$8.68	-35.1%
Oil & Gas	0.88	0.00	-	2.59	0.21	1133.3%
Timber & Surface	1.04	1.15	-9.6%	2.57	2.04	26.0%
Alternative Energy	0.18	0.31	-41.9%	0.14	0.30	-53.3%
Agriculture	(0.31)	(0.21)	-47.6%	(0.52)	(0.41)	-26.8%
Net Operating Income	<u>\$5.09</u>	<u>\$5.42</u>	-6.1%	<u>\$10.41</u>	<u>\$10.82</u>	-3.8%
EBITDA - Millions	<u>\$13.73</u>	<u>\$5.05</u>	171.9%	<u>\$19.03</u>	<u>\$10.08</u>	88.8%
(earnings before interest, taxes, depreciation and amortization)						

DC Solar Solutions, Inc.

In December 2015, the Company invested \$7.7 million in a limited liability company (Fund) that purchased mobile solar generators (MSGs) from DC Solar Solutions, Inc. (DC Solar) and, in turn, leased the MSGs to DC Solar Distribution, Inc., an affiliate of DC Solar. In early 2019, the Company learned through public sources that, in December 2018, the U.S. government had seized substantially all of the assets of DC Solar and its affiliates. In February 2019, DC Solar and its affiliates, including our lessee, filed for Chapter 11 bankruptcy protection. In February 2019, an affidavit from a Federal Bureau of Investigation special agent was filed in the bankruptcy proceeding asserting that DC Solar was operating a fraudulent "Ponzi-like scheme" and that a majority of the MSGs sold to investors and a majority of the lease revenues claimed to have been received by DC Solar Distribution, Inc. may not have existed. The Chapter 11 proceedings were subsequently converted to Chapter 7 liquidations. Due to the bankruptcy proceedings being converted to Chapter 7, the Company evaluated its remaining equity investment value of \$485,332 and recorded an impairment charge in that amount as of December 31, 2018.

In 2022, the Company received a draft "Notice of Proposed Adjustment" (NOPA) from the IRS related to their exam of the Company's 2018 tax return. The NOPA included a \$1.4 million tax assessment associated with the investment tax credits the Company utilized in tax years 2018 and 2019, plus interest. According to the NOPA, the IRS is challenging the values the Company had initially assigned to the MSGs and whether they had all been effectively placed in service, and consequently whether the amount of the associated investment tax credits were appropriate. The Company is considering an appeal of these conclusions when the IRS finalizes the NOPA, but while the process is pending, established a reserve for the full \$1.4 million as of December 31, 2022. Due to various uncertainties, the Company is currently unable to determine the final financial impact arising from this complex situation; however, this impact could be as much as \$1.6 million, which includes the full amount of the IRS tax assessment plus interest.

The Company received a total of \$1,705,448 and \$1,014,566 in legal recoveries, in 2024 and 2023, respectively, against various participants in the DC Solar Ponzi-like scheme. These distributions were recorded into income upon receipt. Additional recoveries, while likely, are not guaranteed and have not been estimated or accrued as of December 31, 2024 and will be recorded into income if and when received.

In addition to the above referenced matters, we are subject to claims and legal actions in the ordinary course of business. We expense legal costs as they are incurred. While there are uncertainties in predicting the outcome of any claim or legal action, we believe the ultimate resolution of these claims or actions is not reasonably likely to have a material adverse effect on our financial condition, results of operations, or cash flows.

Forward-Looking Statement

Certain of the statements contained herein (other than statements of historical facts) are forward-looking statements. Such forward-looking statements include estimates and assumptions related to the Company's growth, reserves, the state of future markets for natural resources, renewables and agricultural products, and the ability of the Company to sell its natural resources, renewables and agricultural products on a profitable basis. These forward-looking statements are subject to change and uncertainty which are, in many instances, beyond the Company's control and have been made based upon management's expectations and beliefs concerning future developments and their potential effect on the Company. There can be no assurance that future developments will be in accordance with management's expectations or that the effect of future developments on the Company will be those anticipated by management. Actual financial results, including revenue growth and earnings results, could differ materially from those anticipated by the Company depending on the outcome of certain factors, which may include, among others, changes in the wholesale prices for timber, oil, natural gas, coal, renewables and agricultural products; increases in property acquisition costs; adverse weather conditions; litigation; failures of our lessees to mine, drill and harvest at rates we currently anticipate; differences between actual reserves and estimated amounts; legislative changes or government regulations which make it more difficult or expensive to sell, extract or harvest our natural resources, renewables and agricultural products or impose greater financial burdens on the users of such products; unanticipated costs for remediation and reclamation; and other risks and uncertainties.

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